

## 16.3 CORPORATE STOCKS

Another form of investment is buying **corporate stocks** that are traded on a stock exchange. A **share** of stock is a piece of ownership in a corporation. Owners of stocks are paid **dividends** on their shares when the corporation makes a profit.

Investors also make or lose money when they sell their stocks, depending on whether the price has gone up or down. Stocks can be purchased or sold through stockbrokers and you can keep track of how your stocks are doing by reading the stock tables in the financial sections of most newspapers.

**EXAMPLE 1** Part of a stock exchange listing is shown below. Identify the column headings.

Highest and lowest prices over past year	52-week		Stock	Div	Yld	Sales 100s	High		Low	Last	Chg.	Number of shares sold in 100s
	High	Low					High	Low				
Annual dividend per share in dollars and cents	37 3/4	27 3/4	EGH	.56	1.6	683	34 7/8	34 1/8	34 3/4	+	1/2	Increase (+) or decrease (-) in closing price from the previous day
	11 3/4	9 3/4	EGT N	1.05	10.2	97	10 3/8	10 1/4	10 1/4	-	1/8	
Yield = Dividend ÷ Price	17 1/2	13 5/8	EGT P	1.66	12.1	115	14	13 3/4	13 3/4	-	1/4	Closing price on previous day
	16 1/2	8 1/2	ERN	-	-	108	14	13 1/2	13 1/2	-	3/8	
	39 3/8	29 1/2	ER Syst	.50	1.6	1142	32	31 1/4	31 3/4	-	1/2	Highest and lowest prices of the day
	53	29 3/4	EagleT	1.12	2.4	109	45 3/4	45	45 3/4	+	1/2	
	33 1/4	24 1/2	EastProd	1.30	4.9	318	26 1/2	26	26 1/2	+	3/8	
	40 1/2	30 1/4	East Util	2.30	7.2	213	32 1/4	31 3/4	31 7/8	-	1/8	
	85 1/8	52 1/8	EGadw	2.52	2.9	1286	87	84 1/4	87	+	2 1/8	
	94	63	Eastone	2.00	2.1	742	94	92 3/4	93 1/8	-	3/8	
	25 3/8	14 7/8	Echmer	.56	3.3	1532	17	16 3/4	17	-	-	
	31 1/2	20 3/4	Ecotab	.58	2.0	212	29 3/8	28 7/8	28 7/8	-	5/8	
	44	33	EdisWr	1.80	4.8	60	37 1/4	36 3/4	37 1/4	+	3/4	
	19 7/8	14 3/8	EDA	.28	1.8	141	15 1/2	15 1/4	15 3/8	+	1/8	
	14 1/4	9 1/8	EdMat	.16	1.3	71	12	11 3/4	12	+	1/4	
	38 7/8	21 1/8	Edmond	.68	2.1	130	32 3/8	31 3/4	32	-	3/8	
	13 3/4	8 1/8	Elder	.22	1.6	124	13 1/2	13 1/4	13 1/2	-	-	
	13 1/8	4	ElecDr	-	-	30	4 3/8	4 1/4	4 1/4	-	1/8	
	31 3/4	13 5/8	Elccept	.08	.3	479	30 3/8	30 1/4	30 3/8	-	1/8	
	18	12 1/2	Elgon	-	-	70	14 3/8	14	14 1/4	-	1/4	
	3	1 3/8	Elsant	-	-	166	2 1/4	2 1/8	2 1/4	-	-	
	10 7/8	8 7/8	Emrit	1.20	12.0	83	10	9 7/8	10	+	1/8	
	110 1/4	78 1/2	EmrsAl	2.88	2.7	1450	107 3/4	105 1/4	107 3/4	+	1 1/4	
	12 3/4	6 1/4	ERan	-	-	955	7 1/8	6 7/8	7	-	1/8	
	18	10 1/2	EmorA	-	-	971	16	15 3/8	15 7/8	-	3/8	
	43 1/4	30 3/4	Enhart	1.40	3.2	594	43 3/4	42 3/8	43 3/8	+	3/4	
	29 1/4	17 1/4	EngIF	.52	2.1	1085	25	24 1/2	24 3/8	-	3/4	
	22 3/8	14 3/8	EntB	-	-	287	22	21	22	+	1 5/8	
	50 3/8	37 7/8	Enrin	2.48	5.5	630	45	44 3/4	45	+	1/4	
	28	13 1/8	Encrsh	.80	3.3	922	24 1/2	24	24 1/4	-	1/4	
	18 1/2	10 1/8	EnsExt	1.20	8.1	194	15	14 1/2	14 3/4	-	1/8	
	8 7/8	4 1/2	Entore	-	-	271	8 1/2	8 1/8	8 1/2	+	1/4	
	6 1/8	3 1/8	EntexB	.60	14.5	66	4 1/4	4 1/8	4 1/8	-	1/8	
	19 3/8	12 3/8	EntexTr	.35	2.4	1020	15	14 3/8	14 7/8	+	1/4	
	24 1/2	14 3/4	EnwSys	-	-	368	20 1/8	19 3/4	20	+	1/8	
	26	18	EnwSy	1.75	7.3	29	24 1/8	24	24 1/8	+	1/4	
	28 1/2	19 1/2	Equipax	.68	3.0	105	23	22 3/4	22 3/4	-	1/4	
	8 3/8	4 1/8	EquiMk	-	-	435	4 3/8	4 1/2	4 5/8	-	-	
	10 7/8	8 3/4	EqIBI	.50	5.3	134	9 1/2	9 3/8	9 3/8	-	1/4	
	46 3/8	28	EqIBs	1.20	2.8	101	44	43 1/2	43 1/2	-	3/8	
	10	5	Equitax	.16	2.0	33	8	7 7/8	7 7/8	-	1/4	
	35	19	ErbSys	.52	1.8	71	28 1/4	28	28	-	3/8	
	42 3/8	29	EssWt	.72	1.7	41	42 1/2	42	42 1/2	+	3/8	
	35	20 1/2	EssTh	.60	2.4	205	28	25	25	-	3 1/4	
	20 1/4	10 1/4	Estren	-	-	41	16 1/2	16 1/4	16 1/4	-	1/2	
	32 1/4	16	EthvPr	.40	1.3	1081	29 7/8	29 3/8	29 3/4	-	-	
	92	37 1/2	ExetRf	3.60	4.0	6132	89 3/8	89 1/8	89 1/2	+	1/8	

EXAMPLE 2 You decide to buy 50 shares of Empire Airfreight (EmprA). How much will the shares cost?

1. Use the stock listing to find that the last price for EmprA was  $15\frac{7}{8}$ .

2. Rename the price as a decimal.  $\$15\frac{7}{8} = \$15.875$

3. Multiply to find the cost.  $50 \times \$15.875 = \$793.75$

The stock will cost \$793.75.

EXAMPLE 3 You purchased 40 shares of Ethyl Products (EthylPr) at  $16\frac{7}{8}$ . How much profit will you make if you sell the shares today?

1. Use the stock listing to find that the last price for Ethyl was  $29\frac{3}{4}$ .

2. Subtract to find the increase for each share.  $\$29\frac{3}{4} - \$16\frac{7}{8}$   
 $\downarrow \quad \quad \downarrow$   
 $\$29.75 - \$16.875 = \$12.875$

3. Multiply to find the profit.  $40 \times \$12.875 = \$515$

You will make a profit of \$515.00.

EXAMPLE 4 How much did you receive in dividends over the past year from your 250 shares of Exeter Refining (ExetRf)? What was your rate of return (yield) on your investment over the past year?

1. Use the stock listing to find that Exeter paid a dividend of \$3.60 per share and that the last price was  $89\frac{1}{2}$ .

2. Multiply to find your earnings.  $250 \times \$3.60 = \$900$

3. Multiply to find the value of your investment.  $250 \times \$89\frac{1}{2}$   
 $\downarrow$   
 $250 \times \$89.50 = \$22,375$

4. Divide to find your return.  $\$900 \div \$22,375 = 0.0402234 = 4\%$

You received \$900 in dividends, representing a 4% return on your investment.

### FOR DISCUSSION

1. What causes stocks to go up or down in price? *amt. of buyers/sellers*

2. What is meant by a "bull" market and a "bear" market?

*Bull → buyers are buying*

*Bear → selling more than buying*

# PRACTICE EXERCISES

Remember to estimate whenever you use your calculator.

Use the stock listing to answer.

1. What was the highest price Elgon was traded at over the past year?
2. What was the lowest price Enhart was traded at over the past year?
3. How many shares of ERN were traded on this particular day?
4. By how much did a share of Equitax decline from its 52-wk high?
5. How much did Eastern Gadwick (EGadw) pay per share in dividends?
6. What was the day's high price for Enrin?
7. Which 3 stocks closed at their highest prices in a year?

Find the current cost of the shares.

	8.	9.	10.	11.	12.	13.
Stock	Eldar	EntB	East Util	EDA	Estren	EagleT
Number of shares held	75	30	125	65	250	2,300

Complete the table.

Purchase price	Last price	Number of shares	Amount of Profit (P) or loss (L)
$14\frac{1}{2}$	$21\frac{3}{4}$	30	14. ■
$25\frac{7}{8}$	$19\frac{1}{4}$	80	15. ■
$84\frac{3}{8}$	$125\frac{1}{2}$	50	16. ■
64	$42\frac{7}{8}$	250	17. ■

Complete the table.

Stock owned	Dividend per share	Total annual dividend	Rate of return
10 shares of EGH	18. ■	19. ■	20. ■
40 shares of EdisWr	21. ■	22. ■	23. ■
75 shares of EssWt	24. ■	25. ■	26. ■
500 shares of EDA	27. ■	28. ■	29. ■